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UNCLAS SECTION 01 OF 02 ABUJA 001779

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DEPARTMENT PASS TO USTR (AGAMA)  
DEPT OF ENERGY FOR CAROLYN GAY

E.O. 12598: N/A

TAGS: [ENRG](#) [ECON](#) [EPET](#) [PGOV](#) [NI](#)

SUBJECT: NIGERIA: NORTHERN ELITES TAKE OVER OIL SECTOR

REF: A. ABUJA 1694

1B. ABUJA 1638

11. (SBU) Summary. Northern elites have added another key position in the oil sector with the appointment of Engineer Abubakar Lawal Yar'adua as the Acting Group Managing Director (GMD) of the Nigerian National Petroleum Corporation (NNPC). Critics question his competency noting that Lawal Yar'adua was previously the NNPC Group Executive Director (GED) for Refineries and Petrochemicals and the refineries did not function, just like his predecessor Funsho Kupolokun. Moreover, the move is seen as Nigeria's Hausa-Fulani ethnic group securing a stranglehold on oil leading to full-control of the economy. Nigerian history is littered with examples of ethnic tensions over resources destabilizing the nation and the new President should tread lightly so as not to be seen as disenfranchising other ethnic groups. End Summary.

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Big Changes In Leadership  
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12. (U) In the last 30 days, the leadership in the most important sector of the Nigerian economy has undergone major changes. President Yar'adua inaugurated his cabinet on July 26, and announced he will supervise the Ministry of Energy with the help of three Ministers of State for Oil, Power and Gas (reftel B). On August 1, he appointed Rilwanu Lukman, as Honorary Advisor on Energy and Strategic Matters, and NNPC GMD Funsho Kupolokun resigned on August 10, and the most senior remaining GED, Engineer Yar'adua, took the helm. Kupolokun's sacking was expected and had been rumored since the beginning of the new administration.

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Hausa-Fulani Agenda?  
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13. (SBU) According to George Osahon, Group General Manager of the National Petroleum Investment Management Services (NAPIMS), a subsidiary of NNPC, there were rumblings within the NNPC that the appointment of Lawal Yar'adua as acting GMD, is a move by the Hausa-Fulani to take back what they lost during former President Obasanjo's administration. Osahon did not want to discuss Lawal Yar'adua's suitability for the job, or competence, but noted that during his previous tenure as GED for refineries and petrochemicals the refineries were in a poor state.

14. (SBU) Dr. Ayo Balogun, Group General Manager and Head NNPC London Office, told us that the administration wants Nigeria to become an exporter of refined petroleum products. Lawal Yar'adua's appointment was in line with this plan to reduce petroleum products

importation by reviving the refineries in the short term, and building new refineries in the medium to long term. Balogun commented that Lawal Yar'adua's previous experience working in the Kaduna and Port Harcourt refineries demonstrated he was well-qualified to implement the President's plan.

15. (SBU) Balogun reported that it was a long-standing administration plan to make Lawal Yar'adua the GMD but there were concerns regarding public perception because the acting GMD and the President, although not from the same family roots, share the same surname, hail from Katsina State, and are childhood friends. Concomitantly, the most senior GED was Dr. Edmund Ayoola, who retired in June paving the way for Lawal Yar'adua to conveniently become the most senior GED.

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Lukman Steps In  
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16. (SBU) Rilwanu Lukman's appointment as the Honorary Presidential Advisor on Energy was seen by critics as recycling of the "old brigade." The position receives no salary, but Lukman's resources are vast including large homes in London and Vienna. Lukman was a former OPEC scribe and had served in government in various capacities overseeing the oil industry since 1984. Though highly-regarded in oil circles both locally and internationally, some analysts opine that if Lukman was as competent as claimed, Nigeria's oil industry would not be in its present deplorable state. There are other analysts who hail Lukman's appointment because of his pedigree and respect in international circles.

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Niger Delta Problems Unlikely to Go Away  
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17. (SBU) Osahon told us he worked with Lukman on the NNPC staff and said Lukman did not support a policy appeasing the Niger Delta peoples. Lukman believed that people in the Niger Delta had been pampered by the government and that militant activities must be forcefully checked. Osahon opined that if Lukman's earlier position on the Niger Delta had softened, then he was suitable for the job of presidential advisor, although preference should have been given to someone younger and more in tune with the oil industry.

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Comment  
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18. (SBU) Keeping the reins of the Energy Ministry and other key positions in northern hands probably is a move by Yar'adua to consolidate his power, as energy is the fountain of money and power in Nigeria. He must tread carefully because appointments to key government positions help balance ethnic interests, thereby satisfying the various ethnic nationalities. When ethnic groups feel marginalized in federal appointments, it leads to conflict. Now that additional key oil sector positions are headed by northerners ethnic marginalization could increase causing tension. This trend has already raised suspicions among various ethnic nationalities. The Niger Delta indigenes may feel further marginalized and hinder efforts to solve the Niger Delta problem. However, if this new leadership can move NNPC in the management directions of Brazil's Petrobras and other efficient national oil companies, then real progress is possible.

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